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This document relates solely to the Polish language financial statements.

Independent Auditor's Report

To the General Shareholders' Meeting and Supervisory Board of KRUK S.A.

Report on the Audit of the Annual Consolidated Financial Statements

Opinion

We have audited the accompanying annual consolidated financial statements of KRUK S.A. Group (the "Group"), whose parent entity is KRUK S.A. (the "Parent Entity"), which comprise:

— the consolidated statement of financial position as at 31 December 2019,

and, for the period from 1 January to 31 December 2019:

- the consolidated statement of profit or loss;
- the consolidated statement of comprehensive income;
- the consolidated statement of changes in equity;
- the consolidated statement of cash flows;

and

- description of applied accounting policies and other explanatory information

(the "consolidated financial statements").

In our opinion, the accompanying consolidated financial statements of the Group:

- give a true and fair view of the consolidated financial position of the Group as at 31 December 2019 and of its consolidated financial performance and its consolidated cash flows for the financial year then ended in accordance with International Financial Reporting Standards, as adopted by the European Union ("IFRS EU") and the adopted accounting policy;
- comply, in all material respects, with regard to form and content, with applicable laws and the provisions of the Parent Entity's articles of association.

Our audit opinion on the consolidated financial statements is consistent with our report to the Audit Committee dated 5 March 2020.



Basis for Opinion

We conducted our audit in accordance with:

- International Standards on Auditing as adopted by the National Council of Certified Auditors as National Standards on Auditing (the “NSA”); and
- the act on certified auditors, audit firms and public oversight dated 11 May 2017 (the “Act on certified auditors”); and
- regulation (EU) No 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest

entities and repealing Commission Decision 2005/909/EC (the “EU Regulation”); and

- other applicable laws.

Our responsibilities under those regulations are further described in the Auditor’s Responsibility for the audit of the consolidated financial statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Ethics

We are independent of the Group in accordance with the Code of Ethics for Professional Accountants (“IFAC Code”) issued by the International Ethics Standards Board for Accountants as adopted by the resolutions of the National Council of Certified Auditors, as well as other independence and ethical requirements, applicable to audit

engagement in Poland. We have fulfilled all ethical responsibilities resulting from those requirements and IFAC Code. During our audit the key certified auditors and the audit firm remained independent of the Group in accordance with requirements of the Act on certified auditors and the EU Regulation.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. They are the most significant assessed risks of material misstatements, including those due to fraud, described below and we performed appropriate audit procedures to address these

matters. Key audit matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon we have summarised our response to those risks. We do not provide a separate opinion on these matters. We have determined the following key audit matters:

Valuation of investments including purchased debt portfolios

The carrying amount of investments including the purchased debt portfolios as at 31 December 2019 amounted to PLN 4 196 821 thousand, and as at 31 December 2018 amounted to PLN 4 077 718 thousand.

Reference to the consolidated financial statements: note 2.4 “Judgments and estimates”, note 3.8. “Investments” in connection with the note 3.4.1 “Financial assets” and note 3.10 “Impairment allowance on assets” - 3.10.1 “Financial assets”, and note 16 “Investments”.

<i>Key audit matter</i>	<i>Our response</i>
<p>The carrying amount of the purchased debt portfolios amounted to 87% of total assets as at 31 December 2019.</p> <p>Due to the fact that the Group determines the value of purchased debt portfolios as at the balance sheet date using the estimation method in the scope of discounted expected cash flows from the above receivables,</p>	<p>Our audit procedures included, among others:</p> <ul style="list-style-type: none"> - assessment of compliance of the accounting policy applied by the Group with regard to the recognition and measurement of purchased debt portfolios with appropriate financial reporting standards;

these valuations require the Management Board to apply a significant judgment.

Due to the nature of the purchased debt portfolios, which contain overdue receivables and often subject to earlier debt collection processes, the forecasts related to cash flows contain a significant element of judgment and estimation, and are subject to a significant degree of uncertainty.

The valuation of purchased debt portfolios is based primarily on the assumptions regarding the scale of application and the effectiveness of different collection methods, the distribution of payments from debtors over time, the value of collateral held and the period during which proceeds from portfolios will be generated.

Due to the above reasons, the valuation of purchased debt portfolios has been recognized by us as a key audit matter.

- assessment and testing of the internal controls relevant to the periodic valuations of purchased debt portfolios and their review and approval;
 - analytical procedures regarding the structure and dynamics of the investments including purchased debt portfolios;
 - for a selected sample of debt portfolios, a critical assessment of the rationality of the assumptions adopted by the Group and estimates made regarding the expected cash flows related to the purchased debt portfolios, and as a consequence the value of purchased debt portfolios as at 31 December 2019, including:
 - o assessing the quality of the Group's estimates by analysing the reasonableness of assumptions adopted for valuations prepared on previous reporting dates by comparing them to the actual cash flows realised after the measurement date,
 - o assessing the consistency of applying the adopted assumptions for the valuation of portfolios with similar characteristics, distribution of flows over time and the period in which revenues from portfolios will be generated,
 - o with regard to secured claims, an assessment of the reasonableness of the assumptions made regarding the forecasted proceeds from the recoveries of collaterals,
 - assessment of the correctness and completeness of disclosures in the consolidated financial statements regarding the valuation of purchased debt portfolios.
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Conduct risk, legal claims and customer complaints

As at the balance sheet date, provision for partial refund of commissions related to consumer loans granted, which were prepaid before the balance sheet date, amounted to PLN 7 156 thousand (Note 28 to the financial statements). In addition, interest income for 2019 was reduced by PLN 9 051 thousand due to the expected refund of these commissions as a result of prepayments in the future periods (Note 5 "Revenue").

Key audit matter

The Group operating on regulated markets is exposed to the risk of changes in law rulings and events (other than those arising from credit risk) that may result in lower than contractual cash flows from financial contracts with customers or in an obligation or liability arising from past events, the settlement of which will require outflow of resources embodying economic benefits ("risk amount").

As at 31 December 2019, in particular, it refers to the impact of two decisions of the Court of Justice of the European Union ("CJEU") of 11 September 2019 (Case C-383/18). Although this decision did not refer directly to the Group, it has resulted in consequences we refer to below.

The decision changed the interpretation of the provisions of the Consumer Credit Act of 12 May 2011 as regards the obligation to refund a part of costs related to consumer loans granted in the case of a loan repayment before the contractual maturity date. The Group made an estimate of the most expected amount of the expenses to be incurred in connection with the above and which relate to:

- expected refund claims due to the consumer loans which were prepaid in the past; and
- refunds to be made in the future as a result of prepayments of consumer loans.

Due to the non-routine nature of the above matter, it required a significant time commitment from us. As a result, it has been recognized by us as a key audit matter.

Our response

Our audit procedures included among others:

- assessment of the accounting policy and methodology for calculating the Group's estimates in relation to the recognition in the financial statements of the financial effects of CJEU judgments and other conduct risks, litigation and customer complaints;
- analysis of complaints submitted by customers and their impact on the Group;
- assessment of the rationality of assumptions regarding the number of expected claims from customers on the basis of trends in this respect observed in the Group, as well as the scale of complaints reported in other disputes in previous years;
- analysis of the correctness of significant input data used to prepare risk estimates resulting from both judgments of the CJEU by agreeing them to the relevant IT systems;
- analysis of the sensitivity of estimates to changes in key assumptions and taking into account the above, assessment whether the adopted level of assumptions indicates the bias of the Management Board.



Responsibility of the Management Board and Supervisory Board of the Parent Entity for the consolidated financial statements

The Management Board of the Parent Entity is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards, as adopted by the European Union, the adopted accounting policy, the applicable laws and the provisions of the Parent Entity's articles of association and for such internal control as the Management Board of the Parent Entity determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Management Board of the Parent Entity is responsible for assessing the

Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Management Board of the Parent Entity either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

According to the accounting act dated 29 September 1994 (the "Accounting Act"), the Management Board and members of the Supervisory Board of the Parent Entity are required to ensure that the consolidated financial statements are in compliance with the requirements set forth in the Accounting Act. Members of the Supervisory Board of the Parent Entity are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibility for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with NSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

The scope of audit does not include assurance on the future viability of the Group or on the efficiency or effectiveness with which the Management Board of the Parent Entity has conducted or will conduct the affairs of the Group.

As part of an audit in accordance with NSAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement

resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management Board of the Parent Entity;
- conclude on the appropriateness of the Management Board of the Parent Entity's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report on the audit of the consolidated financial statements to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our



auditors' report on the audit of the consolidated financial statements.

However, future events or conditions may cause the Group to cease to continue as a going concern;

- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee of the Parent Entity regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including

any significant deficiencies in internal control that we identify during our audit.

We provide the Audit Committee of the Parent Entity with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee of the Parent Entity, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current reporting period and are therefore the key audit matters. We describe these matters in our auditors' report on the audit of the consolidated financial statements unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other information

The other information comprise:

- The report on activities of the Group for the year ended 31 December 2019 (the "Report on activities"), including the corporate governance statement and the statement on non-financial information referred to in art. 55 paragraph 2b of the Accounting Act, which are separate parts of the Report on activities;
- the statement of the Management Board of Parent Entity regarding the true and fair preparation of the consolidated financial statements;

- the Parent Entity Management Board's information regarding the appointment of the audit firm;
- the statement of the Supervisory Board regarding the Audit Committee and the appointment of the audit firm; and
- the Parent Entity Supervisory Board's assessment of the report on activities of the Parent Entity and the report on activities of the Group and separate financial statements and consolidated financial statements

(together the "Other information").

Responsibility of the Management Board and Supervisory Board

The Management Board of the Parent Entity is responsible for the Other information in accordance with applicable laws.

The Management Board and members of the Supervisory Board of the Parent Entity are

required to ensure that the Report on activities, including separate parts of the Report on activities, is in compliance with the requirements set forth in the Accounting Act.

Auditor's Responsibility

Our opinion on the consolidated financial statements does not cover the Other information.

In connection with our audit of the consolidated financial statements, our responsibility was to read the Other information and, in doing so,



consider whether the Other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we performed, we conclude that there is a material misstatement in the Other information, we are required to report that fact.

In accordance with the Act on certified auditors our responsibility was to report if the Report on activities was prepared in accordance with applicable laws and the information given in the Report on activities is consistent with the consolidated financial statements.

Opinion on the Report on activities

Based on the work undertaken in the course of our audit of the consolidated financial statements, in our opinion, the accompanying Report on activities, in all material respects:

Opinion on the statement on corporate governance

In our opinion, the corporate governance statement, which is a separate part of the Report on activities, includes the information required by paragraph 70 subparagraph 6 point 5 of the Decree of the Ministry of Finance dated 29 March 2018 on current and periodic information provided by issuers of securities and the conditions for recognition as equivalent of information required by the laws of a non-member state (the "decree").

Information about the statement on non-financial information

In accordance with the requirements of the Act on certified auditors, we report that the Group has prepared a statement on non-financial information referred to in art. 55 paragraph 2b of the Accounting Act as a separate part of the Report on activities.

Statement on Other information

Furthermore, based on our knowledge about the Group and its environment obtained in the audit of the consolidated financial statements,

Moreover, in accordance with the requirements of the Act on certified auditors our responsibility was to report whether the Group included in the statement on corporate governance information required by the applicable laws and regulations, and in relation to specific information indicated in these laws or regulations, to determine whether it complies with the applicable laws and whether it is consistent with the consolidated financial statements and to inform whether the Group prepared a statement on non-financial information.

- has been prepared in accordance with applicable laws, and
- is consistent with the consolidated financial statements.

Furthermore, in our opinion, the information identified in paragraph 70 subparagraph 6 point 5 letter c-f, h and letter i of the decree, included in the corporate governance statement, in all material respects:

- has been prepared in accordance with applicable laws; and
- is consistent with the consolidated financial statements.

We have not performed any assurance procedures in relation to the statement on non-financial information and, accordingly, we do not express any assurance conclusion thereon.

we have not identified material misstatements in the Report on activities and the Other information.

Report on other legal and regulatory requirements

Statement on services other than audit of the financial statements

To the best of our knowledge and belief, we did not provide prohibited non-audit services referred to in art. 5 paragraph 1 second

subparagraph of the EU Regulation and art. 136 of the act on certified auditors.



Services other than audit of the financial statements, which were provided to the Group and entities under the control of the Parent

Appointment of the audit firm

We have been appointed for the first time to audit the annual consolidated financial statements of the Group by resolution of the Supervisory Board dated 27 April 2017. Our

Entity in the audited period are listed in note 4.8 of the Report on activities.

period of total uninterrupted engagement is 3 years, covering the periods ended 31 December 2017 to 31 December 2019.

On behalf of audit firm
KPMG Audyt Sp. z o.o.
Registration No. 458

Signed on the Polish original

Justyna Zań

Key Certified Auditor
Registration No. 12750
Proxy

Warsaw, 5 March 2020

Signed on the Polish original

Magdalena Grzesik

Key Certified Auditor
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